

Message Text

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ACTION AGR-20

INFO OCT-01 NEA-10 ADP-00 EUR-25 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

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FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 4450
INFO AMEMBASSY ISLAMABAD
AMEMBWHCG KATHMANDU
AMEMBASSY LONDON
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

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PASS AGRICULTURE

LONDON FOR LAMBRAKIS FOR AMBASSADOR MOYNIHAN AND AG
ATTACHE

E. O. 11652: N/A

TAGS: EAGR, IN

SUBJ: WEEKLY FOODGRAIN SITUATION

REF: NEW DELHI 5531

BEGIN SUMMARY: FOOD SITUATION WORSENING IN MYSORE STATE AND
HAS BECOME MORE DIFFICULT IN WEST BENGAL, ORISSA, BIHAR, AND
PARTS OF ANDHRA PRADESH. SITUATION APPEARS TO BE IMPROVING SOME-
WHAT IN MAHARASHTRA AND GUJARAT. PRIME MINISTER ADMITS THERE HAS
NOT BEEN MUCH IMPROVEMENT IN AVAILABILITY OF FOODGRAINS SINCE
GOVERNMENT TAKEOVER OF WHOLESALE WHEAT TRADE. FINANCE MINISTER
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WARNS OF FURTHER FOODGRAIN IMPORTS IF FARMERS DO NOT COOPERATE IN
PROCUREMENT PROGRAM. OVERALL LEVEL OF PROCUREMENT CONTINUES TO BE
DISAPPOINTING TO GOVERNMENT. MAJOR WHEAT PRODUCING STATES HAVE
BEGUN SCALING DOWN EARLIER FORECASTS OF WHEAT PRODUCTION. END

SUMMARY.

1. FOOD SITUATION WORSENING IN MYSORE STATE. STATE OFFICIALS SENT URGENT MESSAGE TO CENTER ON MAY 14 REQUESTING IMMEDIATE MOVEMENT OF FOODGRAINS INTO STATE. ACCORDING TO CHIEF MINISTER NOT A SINGLE TON OF FOODGRAINS EARMARKED FOR DELIVERY IN MAY--30,000 TONS OF WHEAT AND 10,000 TONS OF MILO-- REACHED ITS DESTINATION BY MAY 14, " WE WILL NOT BE ABLE TO FACE THE SITUATION." IN KERALA OPEN MARKET RICE PRICES REACHED NEW HIGH OF RS. 2.85 PER KILO. STATE FOOD MINISTER WARNED THAT IF RISE CONTINUES HE WILL SEIZE ALL STOCKS OF RICE UNDER THE MAINTENANCE OF INTERNAL SECURITY ACT. RICE RATION IN KERALA MAY BE REDUCED BUT WILL BE OFFSET BY ADDITIONAL SUPPLIES OF WHEAT. FOOD SITUATION HAS BECOME MORE DIFFICULT IN WEST BENGAL, BIHAR, ORISSA, AND PARTS OF ANDHRA PRADESH.

2. BOMBAY CITY APPEARS REASONABLY WELL STOCKED WITH WHEAT AT PRESENT AND SITUATION IMPROVING ELSEWHERE IN MAHARASHTRA AND GUJARAT. SOME PROBLEMS REMAIN, HOWEVER, IN INTERIOR. BLACK MARKET PRICES OF WHEAT IN BOMBAY HAVE DECLINED AS SUPPLIES IMPROVED IN FAIR PRICE FOOD SHOPS. PRICE NE PEANUT OIL IN BOMBAY HAS RISEN FROM RS. 3,630 PER METRIC TON ON MAY 8, 1972, TO RS. 7,650 PER METRIC TON A YEAR LATER.

3. IN A SPEECH ON MAY 14 THE PRIME MINISTER ADMITTED THAT THERE HAD NOT BEEN MUCH IMPROVEMENT IN THE FOODGRAIN SITUATION SINCE THE GOVERNMENT TAKEOVER OF WHOLESALE WHEAT TRADE. SHE ATTRIBUTED THE PROBLEMS BEING ENCOUNTERED TO LACK OF COOPERATION ON THE PART OF FARMERS AND TO STRONG OPPOSITION TO GOVERNMENT POLICIES BY OTHER PARTIES. IN RESPONDING TO A DEBATE IN THE LOK SABHA ON THE FOOD SUPPLY/ PRICE SITUATION ON MAY 15 FINANCE MINISTER CHAVAN REFERRED TO THE RELUCTANCE OF FARMERS TO SELL GRAIN TO THE GOVERNMENT AND WARNED THAT IF HOARDERS AND SPECULATORS CONTINUE THEIR OPERATIONS, THE GOVERNMENT WOULD BE FORCED TO IMPORT ADDITIONAL FOODGRAINS. HE STATED THAT THE FOREIGN EXCHANGE POSITION WAS " SOMEWHAT COMFORTABLE" --\$1.23 BILLION AS OF MARCH 31. CHAVAN ARGUED THAT SUCH IMPORTS BY THE GOVERNMENT WOULD PROVE THAT THE FARMERS ARE WRONG IN REFUSING TO SELL THEIR GRAIN AT THE OFFICIAL PROCUREMENT PRICE (RS. 76 PER LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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QUINTAL). DURING THE DEBATE MEMBERS OF THE CONGRESS PARTY AS WELL AS OPPOSITION PARTIES EXPRESSED INDIGNATION AT FOOD SUPPLY/ PRICE SITUATION.

4. GOVERNMENT PROCUREMENT OF WHEAT IS REPORTED TO HAVE TOTALED TWO MILLION TONS AS OF MAY 16. LEVEL OF PROCUREMENT DISAPPOINTING FROM ALL STATES EXCEPT PUNJAB. ACCORDING TO AN OFFICIAL STATEMENT, PROCUREMENT IN THE EARLY PART OF THE WEEK WAS AVERAGING 100,000 TO 150,000 TONS PER DAY. WIDESPREAD RAINS WERE RECEIVED IN HARYANA, PUNJAB, AND DELHI DURING PAST TWO DAYS. THIS HAS SLOWED HARVESTING AND PROCUREMENT. EXTENT OF DAMAGE RAINS MAY

HAVE CAUSED TO UNCOVERED THRESHED AND UNTHRESHED GRAIN IS YET UNKNOWN.

5. ACUTE DIESEL SHORTAGE LED TO AGITATIONS AND DISTURBANCES IN MANY PARTS OF PUNJAB. DIESEL REQUIRED FOR THRESHING OPERATIONS. THERE WERE SOME LOOTING OF FOOD STORES AND GRAIN TRUCKS IN AGRA (UTTAR PRADESH) DURING PAST WEEK.

6. MAJOR WHEAT PRODUCING STATES HAVE BEGUN SCALING DOWN THEIR EARLIER FORECASTS REGARDING WHEAT PRODUCTION. ALTHOUGH AGRICULTURAL MINISTRY OFFICIALS HAVE NOT " OFFICIALLY" COMMITTED THEMSELVES TO ANY ESTIMATE, THEIR PROJECTED 30 MILLION TON WHEAT CROP WILL ALSO HAVE TO BE SCALED DOWN. STATES ARE CITING SHORTAGE OF POWER (FOR IRRIGATION), FERTILIZER SHORTAGE, AND AN UNSEASONABLE WARM SPRING AS THE MAJOR REASONS FOR THEIR REDUCED PRODUCTION.

7. THE UTTAR PARDESH AND BIHAR STATE GOVERNMENTS TOOK FOLLOWING STEPS TO INDUCE FARMERS TO INCREASE THEIR DELIVERIES OF WHEAT TO GOVERNMENT AGENCIES:

A. IN UTTAR PRADESH, FARMERS SELLING WHEAT TO GOVERNMENT AGENCIES WILL BE ALLOWED TO BUY EXTRA QUANTITIES OF CONTROLLED CLOTH IN ADDITION TO THEIR NORMAL QUOTAS WITHOUT HAVING TO OBTAIN PERMITS. TYY WILL ALSO BE GIVEN PRIORITY ALLOTMENTS OF CEMENT. BOTH ITEMS ARE SCARCE ON MARKET. MAJVET.

B. BIHAR GOVERNMENT MADE IT OBLIGATORY FOR FARMERS TO DECLARE WHEAT STOCKS IN EXCESS OF 20 QUNTALS (PREVIOUSLY 50) AND LIMITED OFFICIAL USE
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OF OTHER GRAINS EXCEEDING 50 QUINTALS (PREVIOUSLY 100). BIHAR GOVERNMENT ALSO ANNOUNCED THAT IT WILL PAY RS. 3.00 FOR EACH GUNNY SK FROM CULTIVATORS AND THAT A TRANSPORTATION CHARGE OF RS. 1.50 PER QUINTAL WILL BE GRANTED. LIMITED QUANTITIES OF CEMENT, FERTILIZERS, AND CONTROLLED VARIETIES OF CLOTH WILL BE SOLD AT SUBSIDIZED RATES TO FARMERS SELLING WHEAT TO THE STATE GOVERNMENT.

8. COMMENTS: ALONG WITH POOR PROCUREMENT, TRANSPORT AND DISTRIBUTION REMAIN AS KEY BOTTLENECKS TO PROVIDING FOODGRAINS TO SOUTHERN AND EASTERN STATES. RICE SUPPLY SITUATION WILL BECOME TIGHTER AS THE SMALL LEVEL OF GOVERNMENT HELD STOCKS CONTINUE TO BE DRAINED.

9. REDUCTION OF EARLIER WHEAT PRODUCTION ESTIMATES BY VARIOUS STATES NOT SURPRISING TO PEOPLE CLOSE TO THE TRADE. WHILE A FIGURE " OFFICIALLY" ACCEPTED BY THE CENTER WILL NOT BE RELEASED UNTIL PERHAPS EARLY FALL, CENTER' S ESTIMATE OF CROP MAY NOW FALLNVO AROUND 27 MILLION TONS. CENTER MAY REVISE PROCUREMENT TARGET OF EIGHT MILLION TONS DOWNWARD. OUR UPPER ESTIMATE OF TOTAL WHEAT

PROCUREMENT IS SIX MILLION TONS.

10. US PL 480 TITLE II GRANT OF \$7 MILLION WORTH OF FOODSTUFFS
WAS REPORTED IN MOST MAJOR NEWSPAPERS.
MSCHNEIDER

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